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## State Grants Plan Guidelines

The following guidelines are put forth by the Department of Finance & Management for the purpose of assisting state agencies/departments in developing a State Grants Plan in accordance with Agency of Administration Bulletin 5.5. The State Grants Plan is a monitoring plan designed by each state agency/department for the purpose of ensuring that grants of state funds are spent for their intended purpose.

Although many of the items listed in this document are recommendations, there are required elements that must be present in order for the plan to be approved by the Commissioner of the Department of Finance & Management:

### **REQUIRED PLAN ELEMENTS**

1. Agency/Department name and effective date of plan
2. Detailed monitoring procedures  
(At a minimum these must include desk review and financial reporting)
3. Official grant/monitoring file
4. Properly signed and dated

The following sections explain the minimum requirements and give guidance to departments as they complete their state grants plans.

<b>Agency/Department Name</b>
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The header of the State Grants Plan should include the name of the agency/department or divisions covered by the plan and include an effective date and a version number. In larger agencies and departments it may be reasonable for individual divisions to adhere to their own unique plan. It also may be appropriate for the different categories of grants (see Bulletin 5.5, Section V) to have different monitoring plans. In these cases, the state grants plan may have multiple monitoring sections which describe the different procedures to be used. It is also acceptable for a department to draft separate state grants plans for its divisions if this suits the business practices of the department. In this case, each plan must be submitted separately for approval of the Commissioner of the Department of Finance & Management.

<b>Monitoring Procedures/Activities</b>
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Each plan must **detail** the monitoring procedures the agency/department will use. It is not sufficient to simply state that monitoring will occur. The plan must specify the various types of monitoring the agency/department will use, the criteria that will be used to trigger monitoring, and the procedures it will follow to conduct the monitoring.

**Programmatic Monitoring** – For purposes of a state grants plan, programmatic monitoring is limited to ensuring that funds were spent for their intended purpose. Other programmatic monitoring activities, such as monitoring program objectives and outcomes, may be conducted but are not included in the state grants plan.

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The following are recommended general monitoring activities:

**Desk Reviews**

**Site Visits**

**Audits**

One or all of the above activities may occur over the life of a grant. The state grants plan must specify the frequency of the use of monitoring activities and the criteria that will be used to distinguish one activity from another. Many agencies/departments use a risk-based approach to determine which monitoring activities will occur for a particular grant or grantee. Typically, an agency/departments will conduct desk reviews for all grantees and perform site visits for a certain number or percentage of grantees. Many agencies/departments conduct site visits for all grantees once every 3 or 4 years on a rotating cycle.

For example, grants of small dollar amounts may require a minimal desk review including the submission of quarterly financial and programmatic reports. Grants of larger dollar amounts will have regular desk reviews including a review of their financial statements or audit and may also require multiple site visits.

Sample risk-based assessment tables can be found in Appendix I.

**Checklists** - Many departments find the use of checklists to be an integral part of their monitoring process. Checklists allow for consistency, completeness, and documentation of monitoring activities and it is strongly recommended that all state grants plans include them. (A simplified sample checklist covering many common monitoring activities can be found in Appendix II.) Departments should feel free to develop a checklist that meets their own unique needs. They may also consider creating separate checklists for the different grant programs they administer and not try to design a "one-size fits all" template. This will allow for more detailed documentation and a more accurate record of monitoring activities.

Departments are encouraged to create checklists as they are needed and the creation of a new checklist or a modification to an existing checklist does not require approval by the Commissioner of Finance & Management.

**Desk Review** – A desk review is a review of documents submitted by the grantee to the grantor which is reviewed at the state granting agency. Proper monitoring of all grants will always include some type of desk review. Documents typically included in a desk review are:

- Periodic Financial Reports - These may occur monthly, quarterly, etc. as appropriate for the grant program and your department's business practices. These should be reviewed for reasonableness in relation to the grant budget and may or may not include the submission of backup documentation such as copies of invoices.

In order for a state grants plan to be approved, it must contain some type of financial reporting for all state grants. The frequency and complexity of this reporting may vary from program to program, but in order to ensure that funds were expended properly some type of financial reporting is required.

For those departments who do not already have a financial reporting format, a sample report template can be found in Appendix III.

- Periodic Fund Requests – These often accompany or are incorporated into periodic financial reports. A funds request should be reviewed for reasonableness in terms of cash on hand, expenditures incurred, balance of grant to be expended, and the payment terms of the grant agreement.
- Periodic Programmatic Reports – These reports may accompany financial reports, but often are submitted on a cycle different than the financial cycle and are often submitted to a program manager rather than to the business office. These should be reviewed in relation to the requirements of the grant agreement. Programmatic reports play a crucial role in ensuring that funds are spent in accordance with the intended purpose of the grant.

Although Bulletin 5.5 programmatic monitoring is limited to ensuring that funds were spent for their intended purpose, a desk review may involve more detailed programmatic reports and it may be appropriate to include these reports in the official grant file.

- Audit Reports – Copies of a grantee's audited financial statements (and accompanying audit reports, if applicable) prepared during the life of the grant should be reviewed when available. Any issues that may impact the success of a state-funded grant must be followed up on by the state granting agency. Serious concerns in an audit report may require a site visit (see Site Visit section below).

If financial and programmatic reports are not to be submitted to the same individual or office, it is important for the state grants plan to describe the procedures to be used and the document flow. The plan must state how coordination of financial and programmatic information will be managed and how it will come together in order to have a complete picture of the grantee's status. It is also important for the grantee to understand where and when reports must be submitted. Review of these materials occurs throughout the life of the grant and may be used in conjunction with other monitoring activities.

**Site Visits** – For purposes of this document, a site visit is defined as a review that occurs on-site at the grantee's location.

Some departments use the term audit for a site visit as defined in this document. A state grants plan may use whatever terminology is familiar to the particular agency/department as long as the terms are clearly defined. (Please refer to the Audits section below for guidance pertaining to audits as defined in this document.)

Site visits can be used for a variety of purposes. For instance, a site visit is often used to verify that a piece of equipment was purchased or to review the status of a construction project; it may be used to perform a more in-depth review of the grantee and its operations than can be performed in a desk review; or it may occur after review of an audit report where there are findings that may impact the success of the grant.

**Frequency of Site Visits:** Even when grant objectives are being met and there are no particular concerns, it is important to make physical contact with grantees on a recurring cycle. It is recommended that departments perform site visits for all grantees no less than every 4 years on a rotating cycle, but the period of time used may vary depending upon your department's business practices.

Many departments set thresholds to ensure that they visit a set percentage of total grantees in any given year. They may conduct site visits for grantees receiving large grants every year and grantees with smaller grants on a rotating cycle. It may also be appropriate to perform a site visit when grant funds are used for the purpose of acquiring or renovating equipment or buildings, regardless of the dollar amount of the grant. In this way it can be easily verified that the funds were spent for the grant's intended purpose. Site visits may also occur after a desk review uncovers problems or questions that should be reviewed more closely. Conversely, it may also be appropriate to exclude certain grants or grantees from site visits altogether based upon grant size, one-time grants of small amounts, etc. The use of a risk-based approach to determine when site visits are most appropriate (as illustrated in Appendix II) can be one of the most helpful tools to allow departments to use their monitoring resources efficiently.

**Goals of Site Visits:** The key goals of a site visit are for the grantor to become more familiar with the operations of the grantee, to conduct a more thorough review of supporting documentation than can be conducted in a desk review, and to learn about the grantee's programmatic results or problems. A site visit may also be conducted for the purpose of investigating a specific problem or issue that was uncovered during a desk review.

Topics of review during a site visit may include:

- General Operational Review
- Facility Review
- Staff Interviews
- Review of Supporting Documentation
- Review of Programmatic Results (completed projects, client records, etc.)

It is recommended that departments develop a checklist of items to review when conducting a site visit. In this way the department can be sure it covers all appropriate topics and that site visits are consistent from grantee to grantee. Depending upon the risk level of the grantee and the nature of the grant program, more than one site visit may occur during the life of the grant and any monitoring system must be flexible enough to allow for the documentation of multiple site visits.

**Audit Review** – Audited financial statements (and associated audit reports, if applicable) may be reviewed as part of a department's monitoring activities. For purposes of this document, there are two major types of audits that may be a part of a monitoring plan:

- Audits conducted or initiated by the state granting agency
- Externally prepared financial statements or Single Audit Reports

Financial Statement Audits or Single Audits are audits that are typically performed at the request of the grantee (or required by state or federal regulations) and may occur routinely each year. An audit conducted or initiated by the state granting agency is a full review of all records pertaining to a particular grant agreement and typically occurs when a serious problem is uncovered during desk review and/or a site visit. Unless a department has its own qualified audit staff, this type of audit is commonly performed by an outside CPA firm or possibly by the State Auditor's Office.

Some departments use the term audit for a site visit as defined in this document. A state grants plan may use whatever terminology is familiar to the particular agency/department as long as the terms are clearly defined. (Please refer to the Site Visits section above for guidance pertaining to site visits as defined in this document.)

Although a department may never have an occasion to require a special audit of a grantee, all state grants plans should define a department's procedures for reviewing audited financial statements and/or audit reports each year since these audits commonly occur and are an important monitoring tool. (Local governments, school districts, and many non-profit organizations are audited routinely every year.) Any negative findings that may impact state funded grants must be followed up with the grantee.

**Single Audits:** Single audits are reviewed as part of a department's Bulletin 5 monitoring plan. A single audit report's purpose is to comment upon the grantee's management of federally funded grants and it may have very little relevance in monitoring state grants. Although single audit reports may be a good source of information about the grantee and should always be reviewed by grantors, a clean single audit report is not a statement of a "clean bill of health" for state grants.

**Special considerations for grantees who receive grants under both Bulletin 5.5 and Bulletin 5:** There may be instances when a department issues both state grants covered under Bulletin 5.5 and federal grants covered under Bulletin 5 to the same grantee. Since both bulletins require written monitoring plans, a department must decide which monitoring plan will take precedence when monitoring activities overlap. It is not the purpose of a state grants plan to duplicate activities occurring as the result of another bulletin and it may even be possible to combine the monitoring efforts for both state and federal grants in certain instances. However, departments cannot rely solely on the Bulletin 5 monitoring plan to cover all of the monitoring activities for state funded grants. Therefore, **each grant funded completely with state funds must be monitored** to the extent necessary to ensure that the financial and programmatic conditions were met, regardless of what Bulletin 5 activities might occur.

*Individual grants funded by both state and federal funds are not considered state funded grants per Bulletin 5.5 and should be monitored using Bulletin 5 monitoring procedures.*

Example 1: A department issues both state funded grants and federally funded grants to a grantee and a single audit is required due to the size of the federal grant. In this case, the Bulletin 5.5 state grants plan may rely on the procedures of the Bulletin 5 monitoring plan to cover such monitoring activities as review of the audit report, site visit, etc. However, state grant specific monitoring must still occur for any state funded grants to ensure that funds were spent in accordance with the grant agreement.

Example 2: A department issues both state funded grants and federally funded grants to a grantee. The total amount of federal grants expended by the grantee falls below the single audit threshold and a single audit is not required. According to this department's Bulletin 5 monitoring plan, it will conduct a site visit to review the financial and programmatic components of the federal grant. The department may choose to collect data at the site visit pertaining to the state funded grant or it may choose to rely only on reports submitted for desk review to monitor the state-funded grant as long as it follows the procedures described in its state grants plan.

### **Official Grant/Monitoring File**

Describe the items contained in the agency/department's official grant file. If separate files will be maintained for financial records versus programmatic, this should be stated in the plan. Examples of appropriate items to be contained in an official grant file are:

- Grant Application
- Grant Award Document
- Insurance Certificates (or approved waiver)
- Correspondence (including copies of email correspondence)
- Monitoring Checklists
- Financial Reports
- Programmatic Reports
- Photos (if applicable)
- Audit Reports (non-state audit paid for by grantee – including single audit if applicable)
- Notes to Desk Reviews
- Notes to Site Visits
- Corrective Action Plans (if applicable)
- Any other information relevant to monitoring activities

### **Signatures**

All state grants plans must be signed and dated by the agency/department head and the business manager. Plans submitted without these signatures will not be approved and will be returned. In addition, a signature line should be added for the approving signature of the Commissioner of the Department of Finance & Management.

In the case of agencies or larger departments, it is acceptable to add multiple lines of internal approval as long as the minimum signatures as stated above are included.

### **Plan Approval**

A state grants plan must be approved by the Commissioner of the Department of Finance & Management before it goes into effect. Plans must be submitted for re-approval only when revised or upon request of the Department of Finance & Management.

Initial plans must be submitted for approval no later than June 30, 2006 to be effective July 1, 2006.

Any department that will not issue grants of state funds during the fiscal year beginning July 1, 2006 is exempt from submitting a state grants plan until such time that it begins a state grants program. A letter from the department head to the Commissioner of Finance & Management justifying its exemption must be submitted by June 30, 2006. If at any time in the future this department begins a new state grants program, it is required to submit a state grants plan for approval prior to issuing grant agreements.

### **Revisions**

A state grants plan should be revised when a department begins a new type of grant program which will follow procedures different than those in its previously approved plan or when it determines that changes to existing procedures are necessary. As previously stated, the creation or modification of checklists or other related documents is not considered a state grants plan revision and will not require re-approval.

### **Questions/Assistance**

Any questions regarding the creation or submission of state grants plans should be directed to the Deputy Commissioner of Finance & Management.

## Appendix I

### Sample Risk-Based Assessment Tables

Size of Grant Award	Complexity	
	Low	High
Less than \$10,000	I	II
\$10,000 to \$49,999	II	II
\$50,000 to \$200,000	II	III
Over \$200,000	III	IV

Amounts shown are examples only. Your department's business practices will determine the levels most appropriate for your state grants plan.

Complexity rating factors include but are not limited to:

- Duration of project where low is a single year, high is multiple years.
- Sophistication where low is a basic program and high is a complex program such as determining a cause and effect or dealing with clients.
- Prior experience with the grantee where low is good prior performance and high is no experience or poor performance on previous grant reporting.

Using the Complexity Ratings above, monitoring activities are defined as follows:

Risk Level	Financial Monitoring	Programmatic Monitoring
<b>I</b>	Advance payment not to exceed 50% of grant award (if advance allowed by program)  Financial report of expenditures within 30 days of mid point and 30 days of end of grant period as defined in grant award	Mid-project and final project reporting as defined in scope of work
On-site visits once every 4 years; e-mail correspondence and phone assistance on request		
<b>II</b>	Advance payment not to exceed 90 days of anticipated costs or 50% of grant award and only for equipment, other start-up costs and personnel and operating costs  Financial report of expenditures within 30 days of mid point and 30 days of end of grant period as defined in grant award	Mid-project and final project reporting as defined in scope of work
On-site visit in first year and once every 4 years thereafter; e-mail correspondence and phone assistance on request		
<b>III</b>	Advance payment only for equipment, other start-up costs plus not more than 60 days of other operating costs  Financial report of expenditures within 30 days of each quarter end and 30 days of end of grant period as defined in grant award	Mid-project and final project reporting as defined in scope of work



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On-site visit in year one and in alternating years thereafter; e-mail correspondence and phone assistance on request		
<b>IV</b>	Advance payment only for equipment, other start-up costs plus not more than 30 days of other operating costs  Financial report of expenditures within 30 days of month end and within 30 days of end of grant period as defined in grant award	Quarterly and final project reporting as defined in scope of work
On-site visit every year; e-mail correspondence and phone assistance on request		

Thanks to the Agency of Natural Resources for developing this risk-based assessment tool.

Grantee and Grant Information	
Grantee Name:	
Grantee Address:	
Grant Program/Project:	
Grant Number:	
Grantee Contact Person(s):	
Grantor Contact Person(s):	

Monitoring Information	
Date of Monitoring:	<input type="text"/>
Conducted By: _____	
<u>Type of Monitoring</u> Telephone Call/Email <input type="checkbox"/> Financial Report Review <input type="checkbox"/> Progress Report Review <input type="checkbox"/> Site Visit <input type="checkbox"/> Limited-Scope Audit <input type="checkbox"/> Audit Review <input type="checkbox"/>	<u>Purpose of the Monitoring</u> During the award progress monitoring <input type="checkbox"/> End of the award monitoring <input type="checkbox"/> Follow-up review <input type="checkbox"/> Other <input type="checkbox"/>
<u>Grantee Staff Contacted:</u> _____  _____	
<u>Monitoring Results/Comments:</u>	
Follow-Up Necessary?:   Y / N         Deadline:	
<u>Grantee Contact Responsible for Follow-Up:</u>	
_____ _____	

## Appendix III

### Sample Financial Report Template

<b>AGENCY/DEPARTMENT NAME</b> <b>FINANCIAL REPORT FORM</b>				
1. GRANT NAME		2. SUBGRANT AWARD NUMBER		
3. PROGRAM <input type="checkbox"/> PROGRAM I <input type="checkbox"/> PROGRAM II <input type="checkbox"/> PROGRAM III <input type="checkbox"/> PROGRAM IV <input type="checkbox"/> PROGRAM V		4. IF THIS IS A CORRECTED REPORT SUBMISSION, PLEASE ENTER THE DATE OF THE ORIGINAL REPORT Date: _____		
		5. CHECK TYPE OF GRANT <input type="checkbox"/> MATCHING <input type="checkbox"/> NON-MATCHING	6. CHECK TYPE OF REPORT <input type="checkbox"/> MONTH ENDING <input type="checkbox"/> QUARTER ENDING <input type="checkbox"/> FINAL	
7. FEDERAL ID NUMBER:		8. FUNDING/GRANT PERIOD FROM : _____ TO: _____	9. REPORT PERIOD FROM : _____ TO: _____	
10. GRANTEE NAME AND ADDRESS		11. PAYEE (WHERE CHECK IS TO BE SENT IF DIFFERENT FROM 10)		
12. NAME OF CONTACT PERSON		13. TELEPHONE NUMBER		
14. BUDGET AND EXPENDITURE DATA		14.a. GRANT BUDGET	14.b. PRIOR EXPENDITURES	14.c. EXPENDITURES CURRENT PERIOD
		GRANT BALANCE		
PERSONAL SERVICES:				
Salaries and Benefits				
Other Personal Services (Explain)				
Contractual				
Total Personal Services				
OPERATING EXPENSE:				
Supplies				
Travel				
Equipment				
Indirect Cost				
Other Operating Expense (Explain)				
Total Operating Expense				
Total Program				
15. FINANCIAL REPORT SECTION		GRANT BUDGET	PRIOR EXPND	EXPENDED
		BALANCE		
a. Total Program as of date:				
b. Less: Cumulative Program income				
c. Net program outlays (line a. minus line b.)				
d. Cash Advance				
e. Total for program				
f. Non-State share of amount on line e.				
g. State share of amount on line e.				
h. Grant payment now requested or cash balance				
16. CERTIFICATION				
I certify to the best of my knowledge and belief the data included on this report are correct, all supporting documentation is on file and available for inspection and that all outlays have been or will be made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.		SIGNATURE OF AUTHORIZING OFFICIAL		DATE SUBMITTED
		TYPED OR PRINTED NAME AND TITLE		TEL NUMBER
OVER EXPENDITURES MUST BE SHOWN AS NON STATE SHARE NOTE: IF YOU ARE COMPLETING THIS FORM IN ELECTRONIC FORMAT, MAKE ALL FINANCIAL ENTIRES IN THE HIGHLIGHTED AREAS ONLY.				
DO NOT WRITE IN THIS SECTION - FOR DEPARTMENT USE ONLY				
APPROVED METHOD OF REIMBURSEMENT				
The Accounting Office is authorized to process payment to this grantee in accordance with the method indicated.		<input type="checkbox"/> CASH ADVANCE <input type="checkbox"/> REIMBURSEMENT WITH ATTACHED DOCUMENTATION <input type="checkbox"/> REIMBURSEMENT WITHOUT DOCUMENTATION		
Signature of Authorizing Official:		Date:		

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Thanks to the Department of Public Safety for creating this template.